

CORPORATE GOVERNANCE

September 2015



AGENDA

COLBUN OVERVIEW

STRUCTURE, ROLES & RESPONSIBILITIES

NCG 385

OVERVIEW

Installed capacity of 3,278 MW ~ 21% by Market Share / 25% by Generation

Dec2014

Gx. Asset Diversification

(MW)

-  4 Reservoir: 1,057
 -  12 Run-of-the-river: 532
 -  2 CCGT: 766
 -  4 Diesel: 581
 -  1 Coal: 342
 -  1 Wind Farm: 46*
 -  1 Biomass: 26*
- *Through PPAs

Tx. Assets

- ~900 Km
- 27 Substations

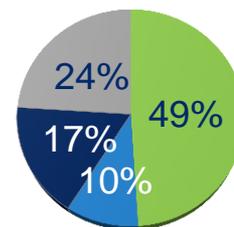


Main Figures

As of Jun15 (US\$ million)

- Assets: 6,400
- Equity: 3,400
- Mkt Cap: 4,900
- EV: 5.800
- **EBITDA LTM: 505**
- Cash: 988
- Net Debt: 965
- **Net Debt/EBITDA: 1.9x**
- Dividend Policy: 30%

Ownership



- Matte Group
- Angelini Group
- Pension Funds
- Others

- **Committed Controlling Group**
- **High Standards of Corporate Governance**

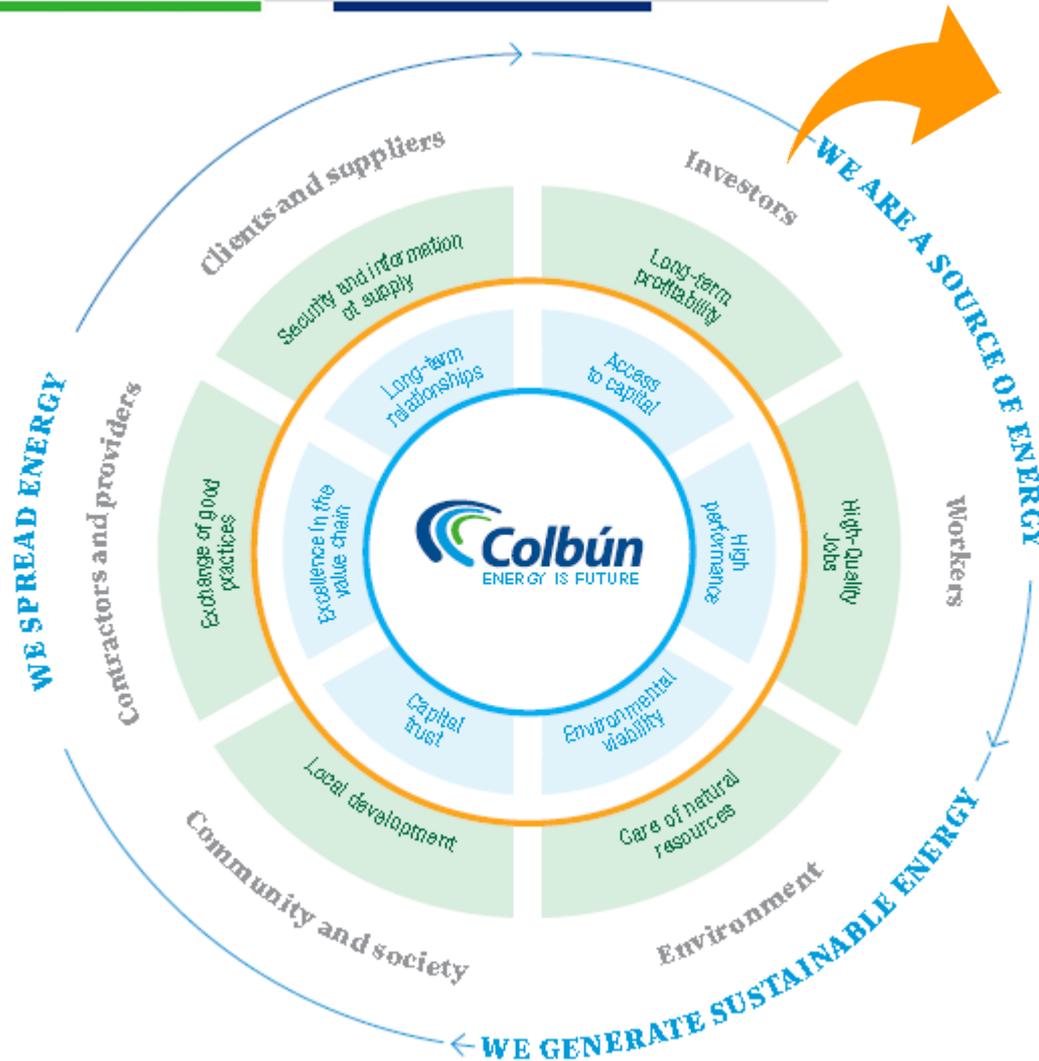
Intern. Ratings

- Fitch: BBB
- S&P: BBB-

Local Ratings

- Fitch: A+
- Humph.: AA-

CORPORATE GOVERNANCE WITHIN COLBUN'S SUSTAINABLE BUSINESS MODEL



Corporate Governance is part of our Sustainable Turbine concept, also linked with the Investor Community



Structure

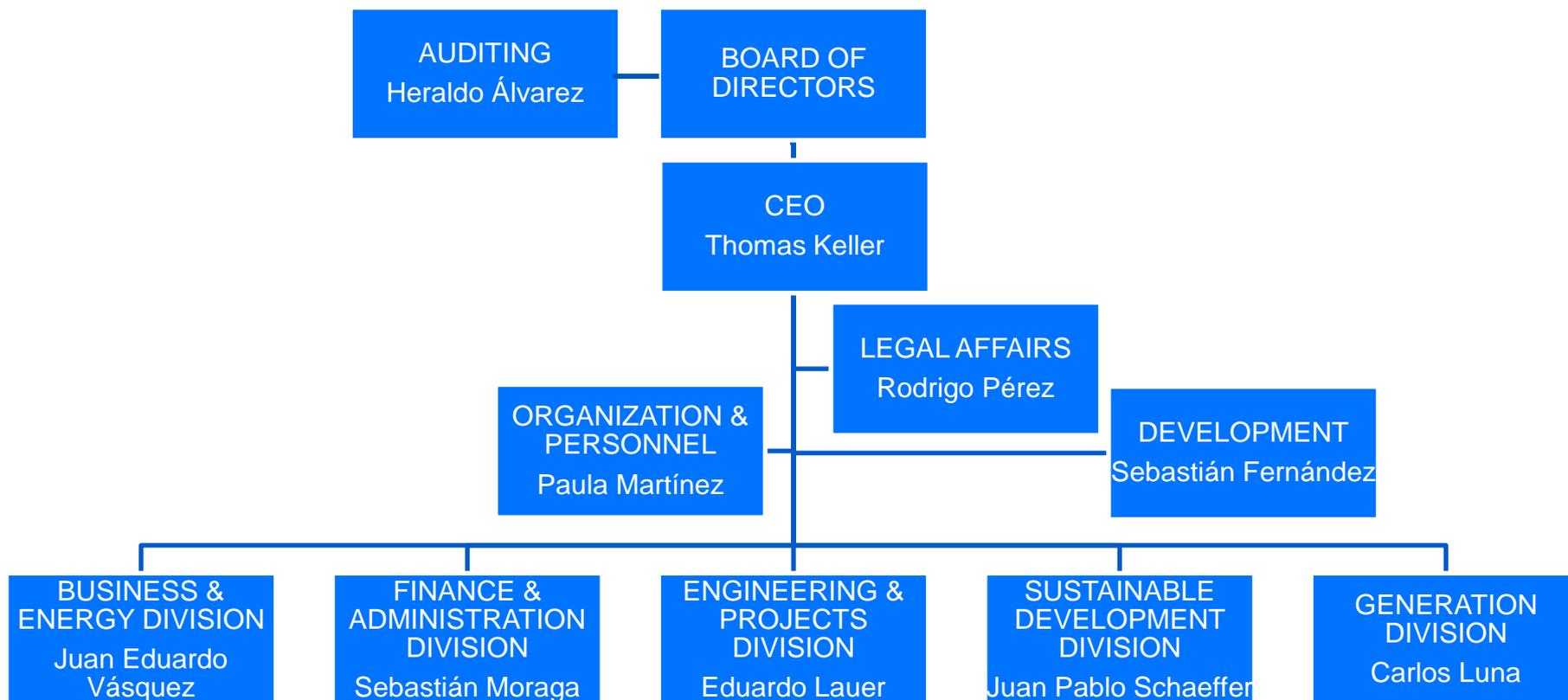


Communications



Regulation

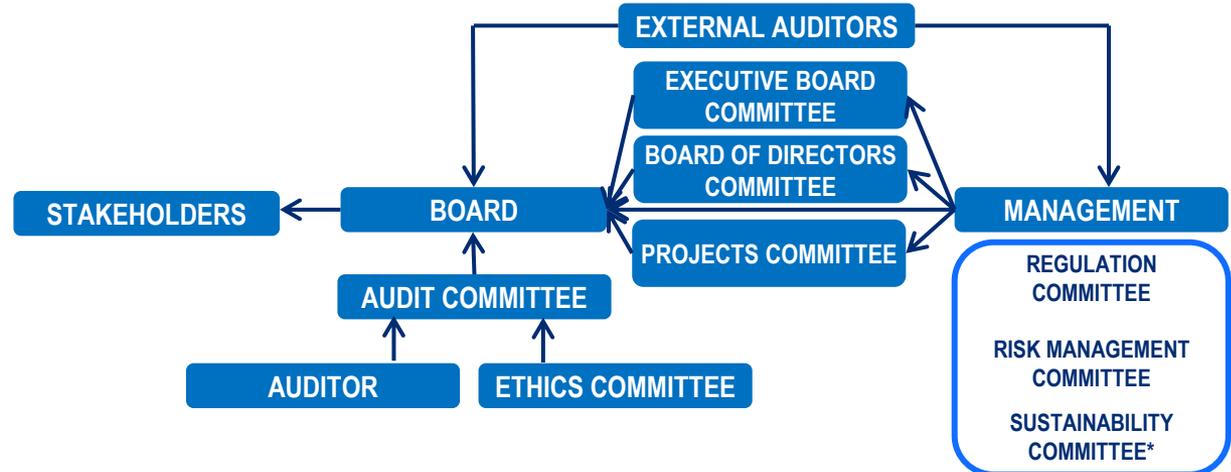
ORGANIZATION CHART



HIGH STANDARDS OF CORPORATE GOVERNANCE



Structure



Communications

Equitable Treatment

- Website, IR Team, Media Team, Quarterly Financial Statements & Conference Calls, Others.

DISCLOSURE
INFORMATION
POLICY / PUBLIC
INFORMATION MANUAL

DELEGATION OF
AUTHORITY

CODE OF ETHICS:
Anonymous
Whistleblowing Channel



Regulation

- Our Board is ruled by Law N°18,046, Law N°20,393 (Criminal Liability) and “Colbún’s Board policies and procedures”
- Internal Ruling: Policies, Procedures and Code of Ethics
- SVS Corporate Governance Practices (NCG 385)

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NCG 385

REPUTABLE CONTROLLING GROUP WITH A STRATEGIC AND LONG-TERM VISION OF THE BUSINESS



Bernardo Larrain Matte

Luis Felipe Gazitúa Achondo

Vivianne Blanlot Soza



Juan Eduardo Correa Garcia

Luz Granier Bulnes

Juan Hurtado Vicuña



Arturo Mackenna Íñiguez

Eliodoro Matte Larrain

Eduardo Navarro Beltrán

- ✓ Average Seniority as Colbún Director: 6 years
- ✓ Average Age: 58 years
- ✓ 2 out of 9 are Independent Directors

- ✓ Ruled by **Law N°18.046** and “**Colbún’s Board policies and procedures**”
- ✓ 2 out of 9 are Independent Directors
- ✓ Directors elected every 3 years (indefinite reelection)
- ✓ 2 out of 3 members in the **Board of Directors Committee** are Independent Directors
- ✓ Monthly sessions
- ✓ Two annual meetings with External Auditors
- ✓ Board Members do not hold management positions
- ✓ Board Members compensation approved at the annual shareholders meeting (no equity options)
- ✓ Annual Shareholders meeting to account for administration
- ✓ Code of Ethics – ruling both workers and Board Members

BOARD COMMITTEES



Vivianne Blanlot Soza



Luz Granier Bulnes



Luis Felipe Gazitúa Achondo

BOARD OF DIRECTORS COMMITTEE

- Examine the reports prepared by the “Inspectores de cuenta” (account inspectors) together with the financial statements and submitting them to the shareholders for their approval.
- Proposing External Auditors and Risk Rating Agencies to the Board of Directors, who shall propose them to the Shareholders’ Meeting.
- Examining the information concerning Related Party transactions and submitting a report to the Chairman of the Board of Directors.
- Examining main executives’ compensation system and plans.
- Examining other matters prescribed by law or entrusted by a shareholders’ meeting or by the Board of Directors, if applicable.

AUDIT COMMITTEE

- Monitoring the annual Audit Plan.
- Review any irregular situation that violates the Code of Ethics of the company, including situations that should be communicated to the competent authorities.
- Analyze and propose to the administration action plans to strengthen the Company’s procedures.
- Analyze the effectiveness of Crime Prevention Models.

ANNUAL SHAREHOLDERS MEETING

Matters reviewed and/or approved:

- (i) Review of the Company's financial condition and the report of External Auditors and Account Inspectors;
- (ii) Approval of the Annual Report and Financial Statements of previous year;
- (iii) Approval of the dividend policy;
- (iv) Approval of the Company's investment and financing policy;
- (v) Policies and procedures on profits and dividends;
- (vi) Appointment of External Auditors for next management period;
- (vii) Appointment of Account Inspectors and establishment of their salaries;
- (viii) Appointment of Board Members every three years;
- (ix) Establishment of Board members' fees;
- (x) Report on the activities of the Board of Directors Committee;
- (xi) Establishment of Board Committee members' fees and determination of its budget;
- (xii) Information on agreements made by Board Members relating to acts and contracts ruled by Title XVI of Law No. 18,046, and
- (xiii) Other matters of interest to the Company and decided by the Board.

LAST SHAREHOLDERS MEETING



BOARD ELECTION

- ✓ 9 candidates for 9 positions
- ✓ Pension Funds' candidates elected:
 - ✓ Vivianne Blanlot
 - ✓ Luz Granier
- ✓ No votes to independent board members from the controlling Group.

EXTERNAL AUDITORS PROPOSAL

- ✓ ERNST & YOUNG – appointed (2012-2014)
- ✓ Second candidate: KPMG

OUR MAIN EXECUTIVES: Extensive experience in the power generation industry



Thomas Keller
Chief Executive Officer



Juan Eduardo Vásquez
Chief Business Officer



Sebastián Moraga
Chief Financial Officer



Eduardo Lauer
Chief Engineering and Project Officer



Carlos Luna
Chief Generation Officer



Sebastián Fernández
Chief Development Officer



Juan Pablo Schaeffer
Chief Sustainable Development Officer



Rodrigo Pérez
Chief Legal Affairs Officer



Paula Martínez
Chief Human Resources Officer



Heraldo Álvarez
Chief Internal Auditing Officer

MANAGEMENT

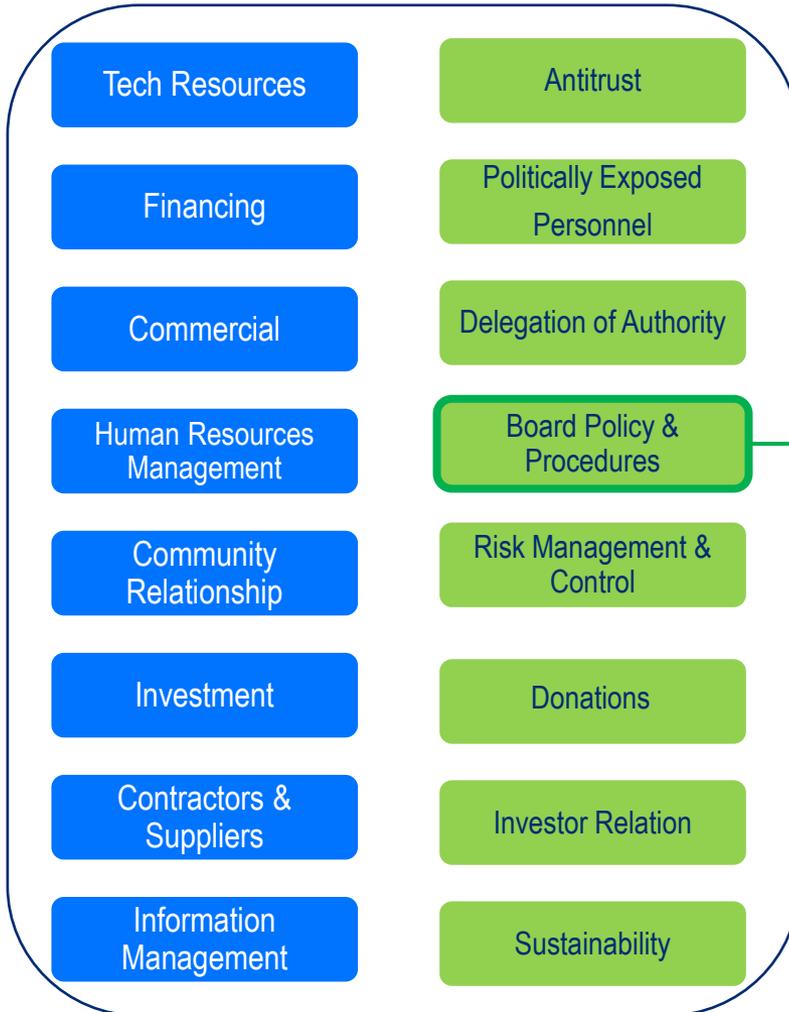
- ✓ CEO appointed by the Board
- ✓ Main Executives are appointed by the CEO in consultation with the Board

“No Sanctions or Penalties imposed related to Corporate Governance”

KEY POLICIES: GUIDELINES TO ACHIEVE OUR MISSION

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BOARD POLICY & PROCEDURES

- Set procedures and guidelines not incorporated in current legislation
- Application and Induction procedures for new Board Members
- Appointment Procedures for CEO and Main Executives
- Identify and manage Conflict of Interests
- Roles and Responsibilities of the Board and the CEO

-  Policy directly linked to Corporate Governance
-  Other Policy

LAW 20,393 – CRIME PREVENTION & CRIMINAL LIABILITY

Criminal Liability of the Company



- Owners
- Controllers
- Executives
- Head
- Supervisors
- Leadership
- Personnel

Others under direct supervision of the persons above



Money Laundering



Bribery



Terrorism Financing



Directly and immediately benefits the company

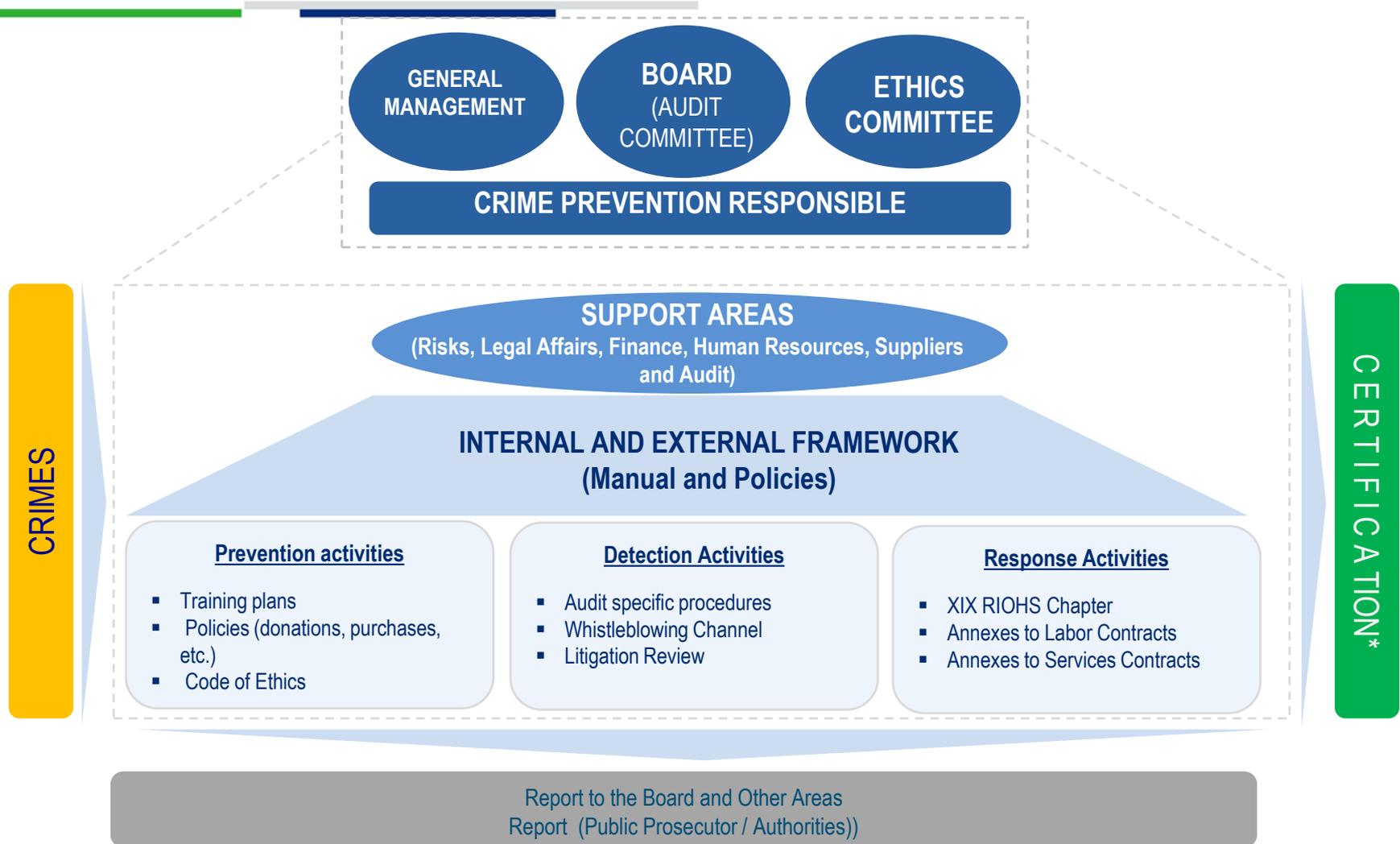


PENALTIES FOR THE COMPANY



- **Dissolution / Cancellation** of Legal Entity
- Prohibition to perform interactions with State agencies
- Loss of Tax Benefits
- Fines and additional penalties

CRIME PREVENTION MODEL



INVESTOR RELATIONS TEAM

- Ruled by the Investor Relations Policy & the Public Information Manual
 - Guidelines for all communications with stakeholders
 - Establish Authorized Spokespersons to the investment community
 - Determine the channels, form and content of all communications for the investment community
 - Applicable to all employees of Colbún
- IR Team is fully available for all stakeholders enquiries. Reports to the CFO.
- Participate in quarterly conference calls, one on one meetings, Third parties Conferences, Website update
- Average Seniority at Colbún: ~ 7 years



First issue date: July 2015

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NCG 385

NCG 385: A GRADUAL PROCESS OF CONTINUOUS IMPROVEMENT

- NCG 385 – 2015 substituted NCG 341 - 2012
- **NCG 341 – High Adoption Rate**
- Define the roles, responsibilities and interaction within the company and with third parties
 - Performance and Composition of the Board
 - Determine the relationship between the company, shareholders and the general public
 - Management and risk control
 - Assessment-certification by a third party
- New matters incorporated in NCG 385:
 - Remote access to shareholders meeting and voting
 - Self-assessment of the Board
 - Continuous training to the Board
 - Board Field visits
 - Risk Management Control
 - Others

OUR VALUE PROPOSAL



Be a leading and growing company of profitable and sustainable power generation in selected countries of Latin America

DISCLAIMER

This document provides information about Colbún S.A. In no case this document constitutes a comprehensive analysis of the financial, production and sales situation of the company. To evaluate whether to purchase or sell securities of the company, the investor must conduct its own independent analysis.

This presentation may contain forward-looking statements concerning Colbun's future performance and should be considered as good faith estimates by Colbún S.A.

In compliance with the applicable rules, Colbún S.A. publishes on its Web Site (www.Colbún.cl) and sends the financial statements of the Company and its corresponding notes to the Superintendencia de Valores y Seguros, those documents should be read as a complement to this presentation.

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